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July 23, 2007

The Honorable Chairman and Members of the  
Hawaii Public Utilities Commission  
465 South King Street  
Kekuanaoa Building, 1<sup>st</sup> Floor  
Honolulu, Hawaii 96813

FILED  
2007 JUL 23 P 4: 18  
PUBLIC UTILITIES  
COMMISSION

Dear Commissioners:

Subject: Docket No. 2006-0386  
HECO 2007 Test Year Rate Case – June 2007 Updates

Enclosed are revised pages to the June 2007 Update for Hawaiian Electric Company, Inc.'s ("HECO") witness T-10, Patsy H. Nanbu. These are replacement pages to the HECO T-10 June 2007 Update filed with the Commission on June 27, 2007.

Very truly yours,

Dean K. Matsuura  
Director, Regulatory Affairs

Enclosure

cc: Division of Consumer Advocacy  
Sawvel & Associates, Inc.  
Utilitech, Inc.  
Dr. Khojasteh Davoodi  
Ralph Smith, Larkin & Associates  
Randall Y.K. Young, Esq. (w/o enclosure)

Supplement to the June 27, 2007 Filing for HECO T-10

Administrative and General (A&G) Expenses

Attached are the following pages to replace the pages submitted on June 27, 2007 for HECO T-10 June 2007 Update.

- Attachment 1, pages 1-4
- Attachment 3, pages 1-2
- Attachment 4, page 1

The revised updated A&G expenses for test year 2007 are \$75,786,000. The updated estimate has been revised to reflect the following:

1. Revision to Ellipse Unix Migration cost

HECO explained in its response to CA-IR-438, CA-IR-440 and DOD-IR-132 that the O&M non-labor expense estimate for 2007 for the Ellipse UNIX migration was revised in March 2007 after a scoping study was conducted by its vendor, Mincom. HECO's revised updated A&G estimate reflects \$854,000 for the Ellipse UNIX migration in Account No. 921, compared to the \$509,000 amount included in its direct testimony, and \$990,000 reflected in the amounts submitted in the June 27, 2007 filing. See Attachment 1, page 4 (revised 7-23-07).

2. Revision to Admin Expenses Transferred

The revised updated estimate for Admin expenses transferred has been decreased by \$8,000 to reflect the lower non-labor amounts charged to Account No. 921, as a result of the revision to the Ellipse Unix migration costs discussed on page 1. See the Attachment 3, page 2, (revised 7-23-07).

3. Revision to Employee Benefits Transferred

The revised updated estimate for Employee Benefits Transferred is \$10,461,000 as shown on Attachment 4 (revised 7-23-07). The estimate was revised to reflect lower productive O&M labor hours for the Power Supply Operating Division as discussed in the response to CA-IR-232 (revised 7-13-07), and to reflect additional labor hours charged to the deferred account in 2007 for the OMS project as discussed in response to CA-IR-110.

HAWAIIAN ELECTRIC COMPANY, INC.  
TEST YEAR 2007 (\$1000S)

|   | <u>BUDGET</u> | <u>BUD ADJ</u> | <u>NORMAL-<br/>IZATIONS</u> | <u>2007<br/>TEST YEAR</u> | <u>JUNE 2007<br/>UPDATE</u> | <u>REVISED<br/>TEST YEAR</u> |
|---|---------------|----------------|-----------------------------|---------------------------|-----------------------------|------------------------------|
| <b>ADMIN &amp; GENL O &amp; M EXPENSE</b> |               |                |                             |                           |                             |                              |
| ADMINISTRATIVE                            |               |                |                             |                           |                             |                              |
| 920 ADMIN & GENL EXP - LABR               |               |                |                             |                           |                             |                              |
| LABOR                                     | 16,090        | (42)           |                             | 16,048                    | (55)                        | 15,993                       |
| NON-LABOR                                 | 2,210         | (2,035)        |                             | 175                       | (175)                       | 0                            |
| TOTAL 920                                 | 18,300        | (2,077)        | 0                           | 16,223                    | (230)                       | 15,993                       |
| 921 ADMIN & GENL EXP - NLABR              |               |                |                             |                           |                             |                              |
| NON-LABOR                                 | 13,208        | (477)          |                             | 12,731                    | 163                         | 12,894                       |
| TOTAL 921                                 | 13,208        | (477)          | 0                           | 12,731                    | 163                         | 12,894                       |
| 922 ADMIN EXPENSES TRANSFERRED            |               |                |                             |                           |                             |                              |
| NON-LABOR                                 | (3,091)       | (39)           |                             | (3,130)                   | (2)                         | (3,132)                      |
| TOTAL 922                                 | (3,091)       | (39)           | 0                           | (3,130)                   | (2)                         | (3,132)                      |
| TOTAL ADMINISTRATIVE                      | 28,417        | (2,593)        | 0                           | 25,824                    | (69)                        | 25,755                       |
| OUTSIDE SERVICES                          |               |                |                             |                           |                             |                              |
| 923010 OUTSIDE SERVICES - LEGAL           |               |                |                             |                           |                             |                              |
| NON-LABOR                                 | 155           | 0              |                             | 155                       |                             | 155                          |
| TOTAL 923020                              | 155           | 0              | 0                           | 155                       | 0                           | 155                          |
| 923020 OUTSIDE SERVICES - OTHER           |               |                |                             |                           |                             |                              |
| NON-LABOR                                 | 1,165         |                |                             | 1,165                     |                             | 1,165                        |
| TOTAL 923020                              | 1,165         | 0              | 0                           | 1,165                     | 0                           | 1,165                        |
| TOTAL OS SVCS                             | 1,320         | 0              | 0                           | 1,320                     | 0                           | 1,320                        |
| TOTAL 920-923 EXPENSE                     | 29,737        | (2,593)        | 0                           | 27,144                    | (69)                        | 27,075                       |

HAWAIIAN ELECTRIC COMPANY, INC.  
TEST YEAR 2007 (\$1000S)

|                                     | <u>BUDGET</u> | <u>BUD ADJ</u> | <u>NORMAL-<br/>IZATIONS</u> | <u>2007<br/>TEST YEAR</u> | <u>JUNE 2007<br/>UPDATE</u> | <u>REVISED<br/>TEST YEAR</u> |
|-------------------------------------|---------------|----------------|-----------------------------|---------------------------|-----------------------------|------------------------------|
| <b>INSURANCE EXPENSE</b>            |               |                |                             |                           |                             |                              |
| INSURANCE                           |               |                |                             |                           |                             |                              |
| 924 PROPERTY INSURANCE              |               |                |                             |                           |                             |                              |
| LABOR                               | 199           |                |                             | 199                       |                             | 199                          |
| NON-LABOR                           | 2,740         |                |                             | 2,740                     |                             | 2,740                        |
| TOTAL 924                           | 2,939         | 0              | 0                           | 2,939                     | 0                           | 2,939                        |
| 925 INJURIES & DAMAGES              |               |                |                             |                           |                             |                              |
| LABOR                               | 1,375         |                |                             | 1,375                     |                             | 1,375                        |
| NON-LABOR                           | 5,506         | (19)           | (61)                        | 5,426                     | (1)                         | 5,425                        |
| TOTAL 925                           | 6,881         | (19)           | (61)                        | 6,801                     | (1)                         | 6,800                        |
| TOTAL INSURANCE                     | 9,820         | (19)           | (61)                        | 9,740                     | (1)                         | 9,739                        |
| <b>EMPLOYEE BENEFITS EXPENSE</b>    |               |                |                             |                           |                             |                              |
| EMPLOYEE BENEFITS                   |               |                |                             |                           |                             |                              |
| 926000 EMPL PENSIONS AND BENEFITS   |               |                |                             |                           |                             |                              |
| LABOR                               | 604           |                |                             | 604                       |                             | 604                          |
| NON-LABOR                           | 27,260        | (457)          | (19)                        | 26,784                    | 3,614                       | 30,398                       |
| TOTAL 926000                        | 27,864        | (457)          | (19)                        | 27,388                    | 3,614                       | 31,002                       |
| 926010 EMPL BENEFITS - FLEX CREDITS |               |                |                             |                           |                             |                              |
| LABOR                               | 283           | (103)          |                             | 180                       |                             | 180                          |
| NON-LABOR                           | 10,401        | 138            |                             | 10,539                    | 30                          | 10,569                       |
| TOTAL 926010                        | 10,684        | 35             | 0                           | 10,719                    | 30                          | 10,749                       |
| 926020 EMPL BENEFITS TRANSFER       |               |                |                             |                           |                             |                              |
| NON-LABOR                           | (10,636)      | 165            |                             | (10,471)                  | 10                          | (10,461)                     |
| TOTAL 926020                        | (10,636)      | 165            | 0                           | (10,471)                  | 10                          | (10,461)                     |
| TOTAL EMP BEN                       | 27,912        | (257)          | (19)                        | 27,636                    | 3,654                       | 31,290                       |

HAWAIIAN ELECTRIC COMPANY, INC.  
TEST YEAR 2007 (\$1000S)

|                                     | <u>BUDGET</u> | <u>BUD ADJ</u> | <u>NORMAL-<br/>IZATIONS</u> | <u>2007<br/>TEST YEAR</u> | <u>JUNE 2007<br/>UPDATE</u> | <u>REVISED<br/>TEST YEAR</u> |
|-------------------------------------|---------------|----------------|-----------------------------|---------------------------|-----------------------------|------------------------------|
| <b>MISCELLANEOUS</b>                |               |                |                             |                           |                             |                              |
| OTHER ADMIN & GENL                  |               |                |                             |                           |                             |                              |
| 928 REGULATORY COMMISSION EXPENSES  |               |                |                             |                           |                             |                              |
| NON-LABOR                           | 198           | (198)          | 283                         | 283                       | 37                          | 320                          |
| TOTAL 928                           | 198           | (198)          | 283                         | 283                       | 37                          | 320                          |
| 9301 INSTITUTN/GOODWILL ADVERT EXP  |               |                |                             |                           |                             |                              |
| LABOR                               | 11            |                |                             | 11                        | 0                           | 11                           |
| NON-LABOR                           | 19            |                |                             | 19                        | 0                           | 19                           |
| TOTAL 9301                          | 30            | 0              | 0                           | 30                        | 0                           | 30                           |
| 9302 MISCELLANEOUS GENERAL EXPENSES |               |                |                             |                           |                             |                              |
| LABOR                               | 365           | (5)            |                             | 360                       | (1)                         | 359                          |
| NON-LABOR                           | 3,042         | (87)           |                             | 2,955                     | 173                         | 3,128                        |
| TOTAL 9302                          | 3,407         | (92)           | 0                           | 3,315                     | 172                         | 3,487                        |
| 931 RENTS EXPENSE                   |               |                |                             |                           |                             |                              |
| NON-LABOR                           | 3,019         | (262)          |                             | 2,757                     | 24                          | 2,781                        |
| TOTAL 932                           | 3,019         | (262)          | 0                           | 2,757                     | 24                          | 2,781                        |
| 932 ADMIN AND GENL MAINTENANCE      |               |                |                             |                           |                             |                              |
| LABOR                               | 176           |                | (20)                        | 156                       |                             | 156                          |
| NON-LABOR                           | 1,458         | (150)          | (362)                       | 946                       | (38)                        | 908                          |
| TOTAL 932                           | 1,634         | (150)          | (382)                       | 1,102                     | (38)                        | 1,064                        |
| TOTAL MISCELLANEOUS                 | 8,288         | (702)          | (99)                        | 7,487                     | 195                         | 7,682                        |
| TOTAL ADMINISTRATIVE & GENERAL      | <u>75,757</u> | <u>(3,571)</u> | <u>(179)</u>                | <u>72,007</u>             | <u>3,779</u>                | <u>75,786</u>                |
| ADMIN & GENL - TOTAL                |               |                |                             |                           |                             |                              |
| LABOR                               | 19,103        | (150)          | (20)                        | 18,933                    | (56)                        | 18,877                       |
| NON-LABOR                           | 56,654        | (3,421)        | (159)                       | 53,074                    | 3,835                       | 56,909                       |
| TOTAL                               | <u>75,757</u> | <u>(3,571)</u> | <u>(179)</u>                | <u>72,007</u>             | <u>3,779</u>                | <u>75,786</u>                |

Hawaiian Electric Company, Inc.  
2007 TEST YEAR

ADMINISTRATIVE AND GENERAL EXPENSE ADJUSTMENTS

|                  |  |             | 2007               |                 |                   |                      |  |
|------------------|--|-------------|--------------------|-----------------|-------------------|----------------------|--|
| RA               | Activity   | Exp Element | Test Year Forecast | 6/07 Adjustment | Revised Test Year | Reference            |  |
| <b>LABOR</b>     |  |             |                    |                 |                   |                      |  |
| NARUC 920:       |  |             |                    |                 |                   |                      |  |
|                  | Engineering retention program                      |             | 0                  | 3               | 3                 | CA-IR-69             |  |
|                  | Retirement of Vice President-Special Projects      |             | 58                 | (58)            | 0                 | CA-IR-1              |  |
|                  |  |             | 58                 | (55)            | 3                 |                      |  |
| <b>NON-LABOR</b> |  |             |                    |                 |                   |                      |  |
| NARUC 920:       |  |             |                    |                 |                   |                      |  |
|                  | Suspension of Hookina Award                        | PPA 723 900 | 114                | (114)           | 0                 | CA-IR-69             |  |
|                  | Restricted stock-President of HECO                 | P9P 700 901 | 52                 | (52)            | 0                 | CA-IR-43             |  |
|                  | Restricted stock-Senior VP-Energy Solutions        | P9S 700 901 | 9                  | (9)             | 0                 | CA-IR-43             |  |
|                  |  |             | 175                | (175)           | 0                 |                      |  |
| <b>NON-LABOR</b> |  |             |                    |                 |                   |                      |  |
| NARUC 921:       |  |             |                    |                 |                   |                      |  |
|                  | Increase in UNIX migration costs                   | P4V 891 462 | 354                | 68              | 422               | CA-IR-133,CA-IR-438* |  |
|                  | Increase in UNIX migration costs                   | P4V 891 501 | 155                | 277             | 432               | CA-IR-133,CA-IR-438* |  |
|                  | Reduction in Axis/Strategizer implementation costs | PVP 840 501 | 300                | (124)           | 176               | CA-IR-135            |  |
|                  | Reduction in Consultant fees                       | P6V 767 501 | 194                | (50)            | 144               | CA-IR-290            |  |
|                  | Delete HR Suites amortization                      | PFB 766 901 | 8                  | (8)             | 0                 | CA-IR-295            |  |
|                  |  |             | 1,011              | 163             | 1,174             |                      |  |

\* Increase in Ellipse UNIX migration costs revised from the \$990,000 provide in the June 2007 update filed on June 27, 2007 to \$854,000

JUNE 2007 UPDATE  
DOCKET NO. 2006-0386  
HECO T-10  
ATTACHMENT 1  
PAGE 4 OF 5  
(Revised 7-23-07)

HAWAIIAN ELECTRIC COMPANY, INC.  
ADMINISTRATIVE EXPENSES TRANSFERRED  
ACCOUNT 922

HECO-1011  
DOCKET NO. 2006-0386  
PAGE 1 OF 2  
(updated 6-22-07)

2007

(000)

**Cost Pool:**

|                                      |   |            |                 |
|--------------------------------------|---|------------|-----------------|
| Labor                                |   | \$ 1,719   |                 |
| Transfer Rate per updated KPMG study | X | <u>41%</u> | \$ 705          |
| NPW                                  |   |            | 102             |
| Payroll Taxes                        |   |            | 58              |
| Emp Ben                              |   |            | 296             |
| Nonlabor-Acct. 921                   |   | \$ 14,009  |                 |
| Transfer Rate per updated KPMG study | X | <u>6%</u>  | \$ 841          |
| Capital Budgets Labor                |   |            | 142             |
| NPW                                  |   |            | 17              |
| Payroll Taxes                        |   |            | 12              |
| Emp Ben                              |   |            | 49              |
|                                      | A |            | <u>\$ 2,221</u> |

**Cost Base:**

|   |           |            |                |
|---|-----------|------------|----------------|
| Capital Labor Hours   |           | 383        |                |
| Clearings to Capital  |           | <u>213</u> |                |
|   | B         |            | <u>596</u>     |
| Corporate Admin rate per hour   | C = A ÷ B |            | \$ 3.73        |
| Total Productive hours  | D X       |            | <u>3,127</u>   |
| Administrative Expenses Transferred - based on total productive hours | E = C X D |            | \$ 11,664      |
| Reversal of Corporate Admin on-cost charged to O&M                    | F         | +          | <u>(8,573)</u> |
| Subtotal - Naruc 922  | G = E + F |            | <u>3,091</u>   |



HAWAIIAN ELECTRIC COMPANY, INC.  
ADMINISTRATIVE EXPENSES TRANSFERRED  
ACCOUNT 922

HECO-1011  
DOCKET NO. 2006-0386  
PAGE 2 OF 2  
(updated 6-22-07)

|   |       |       |                 |
|---|-------|-------|-----------------|
| Subtotal from page 1  |       |       | 3,091           |
| Administrative Expenses Transfer Adjustments and Normalizations:        |       |       |                 |
| Budget adjustment HEI Charges   | (414) |       |                 |
| Performance Incentive Compensation                                      | (38)  |       |                 |
| Abandoned Capital Project adjustment                                    | 5     |       |                 |
| Human Resources Suite project adjustment                                | (30)  |       |                 |
|   |       | (477) |                 |
| Transfer Rate per updated KPMG study                                    | X     | 6%    | (29)            |
| Adjustment: DSM to incremental  |       |       | 68              |
| Administrative Expenses Transferred                                     |       |       | <u>\$ 3,130</u> |
| Administrative Expenses Transfer Update Adjustments and Normalizations: |       |       |                 |
| Increase UNIX migration costs   | 481   |       |                 |
| Decrease Axis/Strategizer implementation costs                          | (124) |       |                 |
| Decrease consultant fees  | (50)  |       |                 |
| Remove HR/Suites amortization   | (8)   |       |                 |
|   |       | 299   |                 |
| Transfer Rate per updated KPMG study                                    | X     | 6%    | 18              |
| Adjust DSM employees (transfer from incremental to base)                |       |       | (8)             |
| Administrative Expenses Transferred                                     |       |       | <u>\$ 3,140</u> |
| Revision to Ellipse UNIX migration costs                                |       | (136) |                 |
| Transfer Rate per updated KPMG study                                    | X     | 6%    | (8)             |
| Revised Administrative Expenses Transferred                             |       |       | <u>\$ 3,132</u> |

